

1 (b) TABLE OF CONTENTS.—The table of contents for
2 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Congressional findings.
- Sec. 3. Definitions.
- Sec. 4. Prohibition on future sales of periodic payment plans.
- Sec. 5. Required disclosures regarding offers or sales of securities on military installations.
- Sec. 6. Method of maintaining broker and dealer registration, disciplinary, and other data.
- Sec. 7. Filing depositories for investment advisers.
- Sec. 8. State insurance and securities jurisdiction on military installations.
- Sec. 9. Required development of military personnel protection standards regarding insurance sales; administrative coordination.
- Sec. 10. Required disclosures regarding life insurance products.
- Sec. 11. Improving life insurance product standards.
- Sec. 12. Required reporting of disciplinary actions.
- Sec. 13. Reporting barred persons selling insurance or securities.
- Sec. 14. Study and reports by Inspector General of the Department of Defense.

3 **SEC. 2. CONGRESSIONAL FINDINGS.**

4 Congress finds that—

5 (1) members of the Armed Forces perform
6 great sacrifices in protecting our Nation in the War
7 on Terror;

8 (2) the brave men and women in uniform de-
9 serve to be offered first-rate financial products in
10 order to provide for their families and to save and
11 invest for retirement;

12 (3) members of the Armed Forces are being of-
13 fered high-cost securities and life insurance products
14 by some financial services companies engaging in
15 abusive and misleading sales practices;

16 (4) one securities product offered to service
17 members, known as the “mutual fund contractual

1 plan", largely disappeared from the civilian market
2 in the 1980s, due to excessive sales charges;

3 (5) with respect to a mutual fund contractual
4 plan, a 50 percent sales commission is assessed
5 against the first year of contributions, despite an av-
6 erage commission on other securities products of less
7 than 6 percent on each sale;

8 (6) excessive sales charges allow abusive and
9 misleading sales practices in connection with mutual
10 fund contractual plan;

11 (7) certain life insurance products being offered
12 to members of the Armed Forces are improperly
13 marketed as investment products, providing minimal
14 death benefits in exchange for excessive premiums
15 that are front-loaded in the first few years, making
16 them entirely inappropriate for most military per-
17 sonnel; and

18 (8) the need for regulation of the marketing
19 and sale of securities and life insurance products on
20 military bases necessitates Congressional action.

21 **SEC. 3. DEFINITIONS.**

22 For purposes of this Act, the following definitions
23 shall apply:

24 (1) LIFE INSURANCE PRODUCT.—

**FACT SHEET FOR HB542
REPRESENTATIVE GALLIK
SUITABILITY STANDARDS FOR LIFE INSURANCE PRODUCTS SOLD TO
MILITARY PERSONNEL**

- In 2005, the GAO conducted a study in which it concluded that certain insurance companies and financial services firms were using deceptive sales practices to market costly financial services products to military members with features that reduce benefits to military purchasers.
- Many of these products combined insurance with a savings component, but this insurance was considerably more expensive than the low cost government life insurance that almost all service members already receive.
- As a result of this study, Congress passed S. 418, which required the NAIC to work with the Department of Defense to ensure implementation of the appropriate standards to protect members of the Armed Forces from dishonest and predatory insurance sales practices, and that each state identify its role in promoting these standards in a uniform manner, not later than 12 months after the passage of S. 418.
- As a result, the NAIC is developing model regulations to implement suitability standards specific to military personnel and has requested that each state ensure that the commissioner has sufficient rulemaking authority to adopt those uniform model regulations.
- HB 542 gives the insurance commissioner the authority to adopt the model regulations that were drafted in consultation with the DOD. The insurance industry and the individual states are now being offered the opportunity to comment on those proposed regulations and suggest changes if necessary.